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भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures relating to (i) Regulations; (ii) Payments System; (iii) Financial Inclusion; (iv) Financial Markets; and (v) Capacity Building.

I. Regulations

1. Advertising, Marketing and Sales of Financial Products and Services by Regulated Entities (REs)

Mis-selling financial products and services by any RE has significant consequences for both customers as well as the RE. There is a felt need to ensure that third party products and services that are being sold at the bank counters are suitable to customer needs and are commensurate with the risk appetite of individual clients. It has therefore been decided to issue comprehensive instructions to REs on advertising, marketing and sales of financial products and services. The draft instructions in this regard shall be issued shortly for public consultation.

2. Conduct of Regulated Entities in Recovery of Loans and Engagement of Recovery Agents

Currently, different sets of instructions are applicable to different categories of Regulated Entities (REs) with respect to the engagement of recovery agents and conduct related aspects of loan recovery.

It has now been decided to review and harmonise all the extant conduct related instructions on engagement of recovery agents and other aspects related to recovery of loans. Accordingly, the draft instructions in this regard shall be issued shortly for public consultation.

3. Review of framework of Limiting Customer Liability in digital transactions

The extant instructions on limiting the liability of customers in unauthorised electronic banking transactions were issued in 2017, which deal with scenarios and timelines for zero / limited liability of a customer. In view of the rapid adoption of technology in the banking sector and payments systems, since issuance of these instructions, the existing instructions have been reviewed. Accordingly, the draft revised instructions, including a framework for compensation in case of small value fraudulent transactions, shall be issued shortly for public consultation.

4. Bank Lending to Real Estate Investment Trusts (REITs)

Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) were conceptualised in India with a view to free up banks' funds in completed and operational real estate and infrastructure projects by refinancing such exposures with pooled funds of institutional as well as retail investors. Consistent with these objectives, commercial banks were not permitted, ab initio, to lend to these entities. While bank lending to InvITs was allowed subsequently, lending to REITs was not permitted hitherto. Upon review and considering the presence of strong regulatory and governance framework for listed REITs, it is proposed to permit commercial banks to extend finance to REITs, subject to appropriate prudential safeguards. The existing guidelines in respect of lending to InvITs are also being harmonised for parity with prudential safeguards proposed for lending to REITs. Draft directions in this regard will be issued shortly for public consultation.

5. Review of Lending norms for UCBs

In the recent past, several regulatory measures have been undertaken with the objective of providing greater flexibility to UCBs in their lending operations. It is now proposed to rationalise the extant regulatory norms applicable for unsecured loans by UCBs; limits for lending to nominal members; and the tenor and moratorium requirements for housing loans. The proposed review shall adopt inter alia, a tiered and simplified approach while maintaining prudential discipline, taking into consideration the growth in total loans and advances of the UCBs over the past few years. Draft directions in this regard will be issued shortly for public consultation.

6. Exemption from registration to eligible NBFCs not availing public funds and not having customer interface (including 'Type I NBFCs')

The Scale-Based Regulatory Framework for NBFCs envisages differential regulatory treatment for NBFCs that do not avail public funds and do not have any customer interface. Given their unique nature, a review of the regulations presently applicable to these NBFCs has been undertaken. Considering their significantly lower systemic-risk profile, it is proposed that such Type-I NBFCs with asset size not exceeding ₹1,000 crore, may be exempted from registration requirement with the Reserve Bank subject to certain specified conditions. The proposed exemption will reduce compliance requirements for these NBFCs. Accordingly, draft Amendment Directions will be issued shortly for feedback from stakeholders.

7. Amendment of NBFC Branch Authorisation Directions-2025

At per extant regulatory requirement, NBFC - Investment and Credit Companies (ICCs) engaged in the business of lending against gold collateral with over 1,000 branches are required to obtain prior RBI approval for opening new branches. In view of the comprehensive prudential and governance framework applicable to NBFC-ICCs, it is proposed to dispense with the requirement of prior approval for opening branches by such NBFCs. The draft instructions in this regard shall be issued shortly seeking stakeholders' comments.

II. Payments System

8. Discussion Paper on “Exploring safeguards in digital payments to curb frauds”

Over the past decade, digital payments in India have expanded at an unprecedented pace, reflecting a structural shift in the way individuals and businesses conduct financial transactions. However, it has been accompanied with growing sophistication of fraudulent activities targeting innocent customers. In alignment with the objective of promoting digital payments in a safe and secure manner, it is proposed to issue a Discussion Paper exploring the introduction of calibrated safeguards in digital payments such as introduction of lagged credits, additional authentication for specific class of users like senior citizens, etc. The proposed measures are intended to mitigate frauds and strengthen customer protection.

III. Financial Inclusion

9. Revision in Lead Bank Scheme

The Reserve Bank has undertaken a detailed review of the existing guidelines on Lead Bank Scheme (LBS). It is now proposed to issue a comprehensive set of instructions on the Scheme with a view to streamline the operational aspects. In the revised Scheme, the objectives of LBS and the framework to achieve them are proposed to be delineated clearly. The revised guidelines are expected to enhance the effectiveness of the Scheme. The draft Circular will be issued shortly for public consultation. In addition, the Reserve Bank will be launching a unified portal for reporting of Bank-wise LBS data which is currently fragmented across various portals. This is expected to significantly enhance the data quality and provide better insights towards achieving the objectives of LBS.

10. Revision in the Guidelines of Kisan Credit Card (KCC)

The Reserve Bank has comprehensively reviewed the KCC Scheme with a view to expand coverage, streamline operational aspects and address emerging requirements. It is now proposed to issue a revised set of instructions to banks on the Scheme, consolidating those on agriculture and allied activities. The proposed guidelines include, among others, standardisation of crop season, extension of KCC tenure to six years, alignment of drawing limit with Scale of Finance (SoF) for each crop season and inclusion of expenses on technological interventions. The draft guidelines will be issued shortly.

11. Review of guidelines relating to use of Business Correspondents (BCs) by banks

Business Correspondents have been functioning as critical enablers of last mile access to financial services, particularly in respect of underserved, rural, and remote locations. Reserve Bank had set up a committee, consisting of officials from Reserve Bank, DFS, IBA and NABARD, to comprehensively examine their operations and make suitable recommendations for enhancing their efficiency. Basis the Committee’s recommendations, the related regulatory guidelines are being reviewed, and the draft amendment directions will be placed for public consultations shortly.

12. Enhancement in Collateral free loan limit from ₹10 lakh to ₹20 lakh

With a view to facilitate improved access to formal credit, support entrepreneurial activity and strengthen last mile credit delivery for Micro and Small Enterprises (MSEs) with limited collateral, it has been decided to enhance the limit of collateral free loans to MSEs from ₹10 lakh to ₹20 lakh. The above provisions shall be applicable to all loans to MSE borrowers sanctioned or renewed on or after April 01, 2026. Instructions in this regard will be issued shortly.

IV. Financial Markets

13. Development of corporate bond market

An active derivatives market can facilitate efficient management of credit risks, improve liquidity and efficiency in the corporate bond market and facilitate issuance of corporate bonds across the rating spectrum. An announcement was made in the Union Budget speech delivered on February 1, 2026, that total return swaps on corporate bonds and derivatives on corporate bond indices will be introduced. Accordingly, a regulatory framework to enable the introduction of derivatives on credit indices and total return swaps on corporate bonds will be issued shortly for public feedback.

14. Foreign Exchange Dealings of Authorised Dealers

Banks and standalone primary dealers authorised under FEMA, 1999, access the foreign exchange market for market making, balance sheet management and hedging of risks. The regulatory framework governing the facilities for such Authorised Dealers (ADs) has been reviewed, rationalised and refined in view of the current market practices and requirements, domestically and globally. The revised framework provides these ADs with greater flexibility with respect to foreign exchange products, risk management and platforms. Draft directions in this regard will be issued shortly for public consultation.

15. Review of the Voluntary Retention Route for FPI investment in debt instruments

The Voluntary Retention Route (VRR) was introduced by the Reserve Bank in March 2019 to provide an additional channel for investments by Foreign Portfolio Investors (FPIs) with long-term investment interest in the Indian debt markets. Over the years, the Bank has been recalibrating the Route to improve operational flexibilities and ease of doing business. The VRR has been witnessing active investment by FPIs, and over 80 per cent of the current investment limit of ₹2.5 lakh crore has been utilised. With a view to ensuring predictability about the availability of investment limits under the VRR and to further increase ease of doing business, it has been decided that (a) investments under the VRR shall now be reckoned under the limit for FPI investments under the General Route; and (b) certain additional operational flexibilities will be provided to FPIs investing under the VRR. Necessary directions will be separately issued.

V. Capacity Building

16. Mission Saksham – Capacity Building for the UCB Sector

Primary (Urban) Co-operative Banks (UCBs) are vital institutions for promoting financial inclusion and serving the unbanked. Securing their next phase of growth would depend on developing stronger skills and competencies, along with technical capabilities and operational resilience in them. To serve this objective, the Reserve Bank will soon be launching Mission SAKSHAM (*Sahakari Bank Kshamta Nirman*)- a sector-wide capacity-building and certification framework. The capacity building of the sector would be implemented through a large number of physical training programmes as well as a scalable learning platform, to cover about 1.40 lakh participants, across all functions. The Reserve Bank shall endeavour to conduct these training programmes at locations close to participating UCBs, with content delivery in regional languages to the extent feasible. The Mission will be pursued in partnership with the Umbrella Organisation of UCBs and National / State Federations.

(Brij Raj)
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